

**ALASKA STATE LEGISLATURE**  
**SENATE RESOURCES STANDING COMMITTEE**

February 22, 2021

3:31 p.m.

**MEMBERS PRESENT**

Senator Joshua Revak, Chair  
Senator Peter Micciche, Vice Chair  
Senator Gary Stevens  
Senator Natasha von Imhof  
Senator Jesse Kiehl  
Senator Scott Kawasaki (via teleconference)

**MEMBERS ABSENT**

Senator Click Bishop

**COMMITTEE CALENDAR**

SENATE BILL NO. 33

"An Act relating to a seafood product development tax credit; providing for an effective date by repealing secs. 32 and 35, ch. 61, SLA 2014; and providing for an effective date."

- HEARD & HELD

SENATE BILL NO. 64

"An Act relating to management of enhanced stocks of shellfish; authorizing certain nonprofit organizations to engage in shellfish enhancement projects; relating to application fees for salmon hatchery permits and shellfish enhancement project permits; allowing the Alaska Seafood Marketing Institute to market aquatic farm products; and providing for an effective date."

- HEARD & HELD

**PREVIOUS COMMITTEE ACTION**

BILL: SB 33

SHORT TITLE: SEAFOOD PRODUCT DEVELOPMENT TAX CREDIT

SPONSOR(s): SENATOR(s) STEVENS

01/25/21	(S)	PREFILE RELEASED 1/8/21
01/25/21	(S)	READ THE FIRST TIME - REFERRALS

01/25/21 (S) RES, FIN  
02/22/21 (S) RES AT 3:30 PM BUTROVICH 205

BILL: SB 64

SHORT TITLE: SHELLFISH PROJECTS; HATCHERIES; FEES

SPONSOR(s): SENATOR(s) STEVENS

01/29/21 (S) READ THE FIRST TIME - REFERRALS  
01/29/21 (S) RES, FIN  
02/22/21 (S) RES AT 3:30 PM BUTROVICH 205

#### **WITNESS REGISTER**

TIM LAMKIN, Staff  
Senator Gary Stevens  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Provided an overview of SB 33.

JEREMY WOODROW, Executive Director  
Alaska Seafoods Marketing Institute  
Juneau, Alaska

**POSITION STATEMENT:** Testified in support of SB 33.

CHRISTOPHER BARROWS, President  
Pacific Seafood Processors Association  
Seattle, Washington

**POSITION STATEMENT:** Testified in support of SB 33.

NICOLE REYNOLDS, Deputy Director  
Tax Division  
Department of Revenue  
Anchorage, Alaska

**POSITION STATEMENT:** Answered questions regarding SB 33.

MARK PALMER, CEO  
OBI Seafoods  
Seattle, Washington

**POSITION STATEMENT:** Testified in support of SB 33.

ABBEY FREDERICK, Director of Communications  
Silver Bay Seafoods  
Juneau, Alaska

**POSITION STATEMENT:** Testified in support of SB 33.

JULIANNE CURRY, Public Affairs Manager  
Icicle Seafoods

Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of SB 33.

TIM LAMKIN, Staff

Senator Stevens

Alaska State Legislature

Juneau, Alaska

**POSITION STATEMENT:** Provided an overview of SB 64.

DR. GINNY ECKERT, Professor

University of Alaska; Director

Alaska Sea Grant

Fairbanks, Alaska

**POSITION STATEMENT:** Testified in support of SB 64.

HEATHER MCCARTY, Co-Chair

Alaska King Crab Research, Rehabilitation and Biology Program

Juneau, Alaska

**POSITION STATEMENT:** Testified in support of SB 64.

SAM RABUNG, Director

Commercial Fisheries Division

Alaska Department of Fish and Game

Juneau, Alaska

**POSITION STATEMENT:** Testified in support of SB 64.

JEREMY WOODROW, Executive Director

Alaska Seafoods Marketing Institute

Juneau, Alaska

**POSITION STATEMENT:** Testified in support of SB 64.

JEFF HETRICK, Mariculture Director

Alutiiq Pride Marine Institute

Seward, Alaska

**POSITION STATEMENT:** Testified in support of SB 64.

JULIE DECKER, Executive Director

Alaska Fisheries Development Foundation

Wrangell, Alaska

**POSITION STATEMENT:** Testified in support of SB 64.

#### **ACTION NARRATIVE**

[3:31:59 PM](#)

**CHAIR JOSHUA REVAK** called the Senate Resources Standing Committee meeting to order at 3:31 p.m. Present at the call to

order were Senators Stevens, Kiehl, von Imhof, Micciche, Kawasaki (via teleconference), and Chair Revak.

**SB 33-SEAFOOD PRODUCT DEVELOPMENT TAX CREDIT**

[3:33:27 PM](#)

CHAIR REVAK announced the consideration of SENATE BILL NO. 33 "An Act relating to a seafood product development tax credit; providing for an effective date by repealing secs. 32 and 35, ch. 61, SLA 2014; and providing for an effective date."

[3:34:04 PM](#)

SENATOR GARY STEVENS, speaking as sponsor, stated SB 33 is value-added legislation, true growth in market demand from the fishing industry, and it encourages innovation in the fishing industry.

He noted the state has previously used a similar policy for direct economic development to support the long-term development of Alaska's seafood processing industry by specifically targeting salmon and herring fisheries. What SB 33 does is extends the sunset [date] and broadens the scope of the tax credit to include investment incentives of both pollock and cod products.

[3:35:10 PM](#)

TIM LAMKIN, Staff, Senator Gary Stevens, Alaska State Legislature, Juneau, Alaska, explained the intent of SB 33 is to improve the business and marketing climate for seafood processing in Alaska. The bill essentially translates into partial reimbursement for investments, hardware, machinery, infrastructure in processing the byproducts from the respective fisheries' scales, fins, and the remaining biomass produced via laser cuts. The biomass is in turn used to render oil and long list of other downstream products that are in market demand that committee members will hear more about during proceeding testimony.

He noted the sunset provision technically expired January 1, 2021 and that is one amendment the sponsor would like to make to make the legislation retroactive to a January 1 effective date; otherwise, the tax credit currently applies to salmon and herring fisheries. The bill would not only extend the sunset but also open the program to include invest incentives for pollock and cod.

CHAIR REVAK asked him to proceed with the sectional analysis for SB 33.

[3:36:33 PM](#)

MR. LAMKIN stated the bill first and foremost extends the sunset, otherwise it is largely conforming amendments that includes the existing tax credits applied for salmon and herring to include two additional fisheries, cod and pollock.

He presented the following sectional analysis for SB 33::

Section 1

AS 43.75.035(b)(1) and (2), relating to tax credits applied to value-added activity for the processing of salmon and herring products, (1) adds the fisheries of pollock and cod as applicable for the tax credit; and (2) extends the sunset of the applicable tax credits through year 2025.

Section 2

AS 43.75.035(c), conforming amendment, relating to applying a tax credit for investment equipment used to process salmon or herring, to include equipment used for processing pollock and cod.

Section 3

AS 43.75.035(d), conforming amendment, relating to a 3-year carry-forward of unused tax credits for the processing of salmon and herring, adds the same carry-forward of tax credits to be applicable for pollock and cod processing.

Section 4

AS 43.75.035(e), relating to the 50% of liability cap on applicable tax credits, is legal drafting statutory clean-up, deleting a duplicative and redundant clause already contained in Section 1 of the bill.

Section 5

AS 43.75.035(g)(5), conforming amendment, relating to state claw-back of a carry-forward tax credit, in the event an asset used for the processing of salmon or herring to which a carry-forward applies, if the asset is removed from the state, adds pollock and cod in determining qualified investment of processing within the state.

Section 6

AS 43.75.035(j)(3), conforming amendment, relating to the definition of "qualified investment" under this tax credit program, adds investment in assets used for processing pollock and cod products.

Section 7

AS 43.75.035(j)(6), conforming amendment, relating to the definition of "value-added" products under this tax credit program, adds processing of pollock and cod byproducts.

Sections 8-11

Are historical sunset dates and repealers of this tax credit program, consolidating all of the various sunset provisions of the program into a single sunset, occurring now in section 8, and set for Jan. 1, 2026.

Section 12

Sets an effective date for the bill of Jan. 1, 2022.

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MR. LAMKIN noted that the sponsor's office received two additional support letters within the last 24 hours from the Southeast Alaska Fishermen's Alliance as well as Ocean Beauty Seafoods.

SENATOR VON IMHOF asked he wanted the effective date in Section 12 to be 2021, as he mentioned.

MR. LAMKIN answered the bill sponsor's office would like to make that change.

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CHAIR REVAK announced the committee will hear invited testimony for SB 33.

[3:40:07 PM](#)

JEREMY WOODROW, Executive Director, Alaska Seafoods Marketing Institute, Juneau, Alaska, testified in support of SB 33. He stated the Alaska Seafood Marketing Institute (ASMI) supports all efforts that will help increase the value of Alaska's fisheries. SB 33 would provide the Alaska seafood industry incentive and support to continue much needed investments in processing facilities and take additional measures to create more value for key Alaska seafood species.

MR. WOODROW detailed Alaska's commercial fisheries annually harvest on average 5.5 billion pounds of seafood with approximately 2.5 billion pounds of seafood sold to markets worldwide after processing; that leaves an opportunity to add even more value to 3 billion pounds of Alaska's seafood resources.

He noted products such as fish and bone meals, and fish oil currently generate hundreds of millions of dollars annually for Alaska's seafood industry. Forecasts call for additional growth in pet foods, nutraceuticals, medical advancements, food preservation, and more—all produced from byproducts via fish skin and heads, crab shells, and similar often discarded items. Any effort made to help maximize Alaska's sustainable seafood resources will benefit the state.

He detailed the January 2020 economic value of Alaska's seafood industry—reported via the McDowell Group—the state's major shoreside seafood processors invest over \$100 million annually in capital expenditures. Processors' investment and multiplier impacts closely tie to the resource value. Expanding value provides processing companies capital to modernize plants, expand production lines, and pay higher fish prices; all these benefit local communities in Alaska and provides growth elsewhere in the U.S. economy.

He noted market research shows that consumers worldwide are increasingly seeking convenient, easy to prepare products that match their busy lifestyle. Consumers also no longer want to sacrifice health, flavor, and quality when choosing convenience-based products. This trend creates tremendous opportunity for Alaska's seafood products to capitalize on by producing new, innovative, and value-added seafood products. SB 33 supports this trend and would help Alaska's seafood companies develop products to match consumer demand.

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CHRISTOPHER BARROWS, President, Pacific Seafood Processors Association, Seattle, Washington, testified in support of SB 33. He noted Pacific Seafood Processors Association (PSPA)—founded in 1914—is comprised of eight major seafood processing companies from Ketchikan to Unalaska, to Saint Paul. PSPA operates in the center of Alaska's wild and sustainable seafood supply chain. PSPA members operate 25 facilities in 15 coastal communities across Alaska, and that also includes 3 floating processors that purchases Alaska seafood from harvesters and process it into

various product forms with distribution to the United States and around the world.

MR. BARROWS said SB 33 is a bill that would reestablish and augment Alaska's Seafood Product Development Tax Credit Program which expired in 2020. PSPA's understanding is the bill would reestablish a longstanding program through 2025 and expand the list of eligible species—currently salmon and herring—to also include pollock and cod.

He stated the legislation is an important expansion because wild Alaska pollock and Pacific cod comprises 69 percent of Alaska's statewide harvest, which represents a lot of opportunity for obtaining more value from high-volume species over the long term. Higher value means more value to fishermen, processors, and to the local and state governments that base fish taxes on fish value; this type of program and investment incentive can make a difference by allowing companies to obtain value-added equipment and other types of investment that will benefit Alaska for years to come.

MR. BARROWS said PSPA's member companies and Alaska's wild seafood products compete in global markets and have a steady volume of annual harvest on the order of about 5.7 billion pounds. However, volume of Alaska's fisheries is not likely to change significantly over time, therefore increasing the value of Alaska's seafood is the key to future growth. Increasing seafood value requires market differentiations, research and development, and building consumer awareness—details that require significant investment.

He stated SB 33 serves the objective of increasing seafood value by encouraging innovation in the seafood processing sector, facilitating greater utilization of each fish, and providing incentives to respond to changes in market demands. Seafood processors have used the previous authorized tax credit to make critical investments in processing technologies that would otherwise be cost prohibitive for some. Salmon is a great example as the previous tax credit has changed the face of salmon processing to increase production of filet and other value-added-salmon products that have a stronger U.S. market demand.

MR. BARROWS explained a higher value product means a higher return on investment for Alaska, coastal communities, and fishery participants. Value-added products also require more



labor than simply freezing or heading-and-gutting and increases job and labor income to the state as well.

MR. BARROWS summarized the health of the commercial fisheries and seafood industry is critical to Alaska as it annually generates between \$5-\$6 billion in economic value to Alaska and creates more direct jobs than any other private industry in the state. PSPA supports reauthorizing and expanding the Seafood Product Development Tax Credit Program as well as establishing an effective date of January 1, 2021 to allow for value-added investments during the current year.

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SENATOR STEVENS asked what percentage of salmon is processed into filets.

MR. BARROWS answered he will get back to him on that, although some of his colleagues may have the information.

SENATOR STEVENS remarked the value of salmon seems to have increased so much via salmon filets over the simple processing.

SENATOR MICCICHE asked Mr. Barrows, all processors, or the department to provide additional details to Senator Stevens' question to include specific species information and the ultimate return for the tax credits currently in existence—without the expansion of pollock and cod. He added he would like to know how far the state has gotten with those credits, what have been the market improvements, and species specific versus general information.

MR. BARROWS replied his question will require further research. He asked him to confirm the basis of his question is to understand the return on investment from previous product forms to new product forms that benefited from the tax credit across all species.

SENATOR MICCICHE answered yes. He wants to be able to demonstrate the value of the tax credits to the state as well as the processors and fishermen.

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CHAIR REVAK noted Ms. Reynolds from the Department of Revenue may be able to answer his question.

[3:49:40 PM](#)

NICOLE REYNOLDS, Deputy Director, Tax Division, Department of Revenue, Anchorage, Alaska, noted from 2017-2020 the tax credit value ranged from \$2.3-\$4.4 million; this value strictly represents the credit for the equipment used to create the value-added salmon and herring products.

SENATOR MICCICHE commented he is obviously asking for something much more comprehensive. He said he would like to be able to demonstrate there is value to the state, not just the processors. He remarked he thinks there has been [value to the state] and collectively they can provide a comprehensive response that will prove that case.

SENATOR VON IMHOF noted fish meal is a byproduct example that affects Alaska businesses where investment stays in the state. People from the Mat-Su Valley have used fish meal as an affective fertilizer alternative. She said she sees a benefit from knowing how many cottage industries in Alaska have created dog food treats, fish meal, or whatever; have there been any sales outside of Alaska and how are those numbers; and who is buying for how much.

SENATOR STEVENS suggested including the number of jobs added due to a more complicated form of processing.

3:52:58 PM

MARK PALMER, CEO, OBI Seafoods, Seattle, Washington, testified in support of SB 33. He noted Ocean Beauty Seafoods changed its name to OBI Seafoods after the 2020 merger with Icicle Seafoods. OBI operates 10 processing plants in Alaska.

He pointed out economic development revolves around investments derived from the tax credit. When OBI built its meal and oil plant in Cordova to utilize the facilities waste stream, the cost of building the infrastructure to support the equipment OBI used via the tax credit resulted in OBI hiring local electricians, concrete, construction labor; that part of the investment was over double what OBI paid for the processing equipment.

He said the economic development derived from the tax credit resulted in job creation. Many processing plants around Alaska—built in the early 1900s—carry its waste stream into the ocean without providing jobs in the process. However, when adding a line to capture waste for a value-added product, the process adds at least 10 higher-paying jobs. OBI is putting in filet machines, computerized oil extractors, centrifuges, a lot of

sophisticated equipment that pays more to those labors operating the equipment.

MR. PALMER pointed out there is a great history with the legislation. Capacity increases at almost every plant when OBI adds [value-adding equipment]. Increased capacity means fisherfolk are less likely to go on limits in those times when there are large production peaks. When OBI diversifies product lines, the most important thing the company can do is get its customer base to compete for its products, the product forms the company has, the more markets and customers it can access. That is the way OBI competes for raw materials.

He said to Senator Micciche's question, at the time the valued-added salmon tax credit came into existence, prices in Bristol Bay were at record lows, pink salmon prices were at record lows. What the tax credit did at the time, a case of pink salmon was selling for \$16 a case on the wholesale market, which was 50-cents less than its production cost; sockeye salmon—red halves—was \$36 a case; however, last year that averaged \$60 a case, and OBI has seen a marked improvement in the product forms because OBI was not forced into canning everything.

MR. PALMER noted OBI took a big chunk of its product that would normally have either gone [headed and gutted] (H&G), frozen, or canned, and moved—20 percent of its capacity—to fillets; that is the difference between not over-canning. Right sizing the market allows for producing for the market and its dynamics work. However, oversupplying any one area weakens a processor's whole product portfolio and lowers the return to the fisherfolk and the state.

He reiterated there is great history with the legislation; the processors demonstrated it can increase product value and resource utilization is something that worldwide customers demand. People want to see less waste of their products going into a waste stream, and they want to be able to talk about sustainability and full utilization. SB 33 gives processors a shot at full utilization.

3:58:14 PM

ABBEY FREDERICK, Director of Communications, Silver Bay Seafoods, Juneau, Alaska, testified in support of SB 33. She detailed Silver Bay Seafoods is a vertically integrated, primary fisherman-owned processor that processes salmon, herring, Pacific cod, pollock, rockfish, and other Alaska species. Silver Bay Seafoods has significantly invested in state-of-the-art,

high-volume-processing facilities throughout Alaska. Silver Bay Seafoods is relatively new-started in 2007-and operates in Sitka, Craig, Valdez, Naknek, False Pass, and Kodiak.

MS. FREDERICK noted Silver Bay has been able to take advantage of the past versions of this legislation which encouraged its investment in additional equipment and infrastructure to produce more value-added products for salmon and herring in Alaska.

She said SB 33 would provide a significant return on investment to Alaska through increased jobs, economic activity, as well as fish-tax revenue by maximizing the value of fish processed in the state. The bill provides long-term benefits for the state by creating value maximization via full fish resource utilization-which benefits its harvesters, processors, and communities.

MS. FREDERICK stated by expanding to other species-pollock and cod-some of which has experienced the market impacts from COVID-19, the legislation promotes continued investment in the state's fisheries and encourages businesses like Silver Bay Seafoods to find innovative and adaptive ways to thrive in time of changing consumer demands.

4:00:45 PM

JULIANNE CURRY, Public Affairs Manager, Icicle Seafoods, Anchorage, Alaska, testified in support of SB 33. She detailed Icicle Seafoods now solely operates as a shore-based processing facility in Dutch Harbor and a floating processor in the Dutch Harbor area, both of which participate mainly in the pollock and cod fisheries in the Bering Sea and Aleutian Islands.

She said Icicle Seafoods was ecstatic to see SB 33 include pollock and cod as eligible species under the state's long standing and important program. SB 33 would be a game changer for Icicle Seafoods' operation. Creating higher value seafood products is one of the primary ways that Icicle Seafoods can increase the dockside price of fish for its harvesters and create stability for its workforce with additional product forms.

MS. CURRY stated through SB 33 and the inclusion of pollock and cod as eligible species, Icicle Seafoods would be able to purchase equipment to not only increase the quality of seafood it produces, but to also finally produce value-added product forms that would help revolutionize its processing platforms. In an industry with razor-thin margins, SB 33 would give Icicle Seafoods the competitive advantage it needs to affectively

compete in the domestic and global marketplace. SB 33 would also vastly improve Icicle Seafoods' ability to further capture the waste stream and turn that unused resource into a valuable Alaska product.

MS. CURRY said COVID-19 has brought many challenges including drastically increased operating costs. Icicle Seafoods has worked hard to streamline its operations since COVID-19 began, but the company and the industry feels those impacted costs. Domestic and global retail sales are at all-time highs for seafoods, but those sales have not been enough to offset the staggering decrease in restaurant and other foodservice sales. Although SB 33 is beneficial even in non-pandemic times, Icicle Seafoods is even more supportive of the vital legislation given the current COVID-19 challenges facing the industry.

She said in the hope that SB 33 passes during the legislative session, Icicle Seafoods is actively researching how to upgrade its processing platforms to bring more value to its processing efforts. Seafood is Alaska's only major renewable resource industry and as such, Icicle Seafood's processing efforts and its harvesters continually face uncertainty such as fluctuating resource levels as well as domestic and international market conditions.

MS. CURRY thanked Senator Stevens for introducing SB 33 and helping create the short-term opportunity for Alaska's seafood industry that will have lasting impacts for Icicle Seafoods, its harvesters, and the state. She thanked Senator Kiehl for his co-sponsorship with the hope that others will similarly support the legislation that benefits Alaska's largest private sector employer.

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[4:04:12 PM](#)

CHAIR REVAK called the committee back to order.

[4:04:17 PM](#)

CHAIR REVAK held SB 33 in committee.

#### **SB 64-SHELLFISH PROJECTS; HATCHERIES; FEES**

[4:04:32 PM](#)

CHAIR REVAK announced the consideration of SENATE BILL NO. 64 "An Act relating to management of enhanced stocks of shellfish;

authorizing certain nonprofit organizations to engage in shellfish enhancement projects; relating to application fees for salmon hatchery permits and shellfish enhancement project permits; allowing the Alaska Seafood Marketing Institute to market aquatic farm products; and providing for an effective date."

4:04:52 PM

SENATOR STEVENS, speaking as sponsor of SB 64, stated he appreciated the testimony on the previous bill and noted Ms. Curry made a good comment that the seafood industry is Alaska's only renewable industry. If the state treats it right, if the legislature creates opportunities for the processors to go into new lines, as well as shellfish enhancement, then the state will see a major long-term benefit.

He said SB 64 is about strengthening Alaska's fisheries portfolios, promoting economic development policy, creating jobs, doing more research, and food security. In the big, long term picture the bill should be a win-win for Alaska, businesses, and consumers.

4:06:06 PM

TIM LAMKIN, Staff, Senator Gary Stevens, Alaska State Legislature, Juneau, Alaska, explained SB 64 is a result of a considerable amount of work by stakeholders, biologists, and scientists. The large focus of the bill is on the crab and clam industry.

He noted most of Alaska's crab fisheries have been shutdown for quite sometime for reasons that the scientific community does not entirely understand, but certainly may include overfishing of the state's crab fisheries. However, the state has not provided any substantive tools to fix the situation other than to discontinue the fishing of those species.

MR. LAMKIN pointed out there has been what scientists call an environmental regime shift in Alaska's oceans where at one time the crustaceans—or crabs—were the dominant biomass of the state's waters, but nowadays that has shifted to finfish dominance.

He explained finfish, for example, virtually all creatures out there really enjoy feeding on baby crabs and clams—which are very vulnerable in the earliest stage of their life—and predation is probably a bit part of this picture.

MR. LAMKIN said SB 64 provides a legal framework for large scale, shellfish hatchery projects to function in Alaska to nurture the shellfish younglings—king crab, razor clams, and geoducks—in their formative stages to provide them with a better shot at survival in the wild. The intent of the legislation is to carefully balance Alaska's wild versus enhanced programs and resources.

He explained the policy structure contained in the bill represents an investment in the state's science, fisheries related jobs, private sector, and in Alaska's constitution for the principle of sustainable yield. He said hopefully the bill will ultimately improve what shows up on Alaska's dinner tables.

MR. LAMKIN noted that earlier in the day, Senator Steven's office received two additional support letters from the Southeast Alaska Fishermen's Alliance as well as the Aleutian Pribilof Island Community Development Association in strong support of the bill.

CHAIR REVAK asked Mr. Lamkin to proceed with the sectional analysis for SB 64.

[4:09:07 PM](#)

MR. LAMKIN presented the following sectional analysis for SB 64:

Section 1

AS 16.05.730(c) Provides the Alaska Board of Fisheries authority to direct the department to manage production of enhanced shellfish stocks, beyond brood stock needs, for cost recovery harvest.

Section 2

AS 16.10.400(b) Removes a flat \$100 permit application fee for new private nonprofit salmon hatcheries, to instead be determined by the department by regulation, as described in Section 3 of the bill, below

Section 3

AS 16.10.400 Conforming language consistent with other fee structures set and adjusted by regulation, requiring fees to approximately reflect the cost of administering the application process, and to be reviewed and adjusted periodically.

Section 4

Adds a new Chapter 12 to Title 16, "Shellfish Stock Enhancement Projects" AS 16.12.010 Provides direction to the commissioner of the Department of Fish and Game on the issuance of permits for private nonprofit shellfish fishery enhancement projects intended to improve the yield, rehabilitate stocks, or increase habitat for shellfish. This subsection also directs the commissioner to set an application fee and to consult with technical experts in the relevant areas before permit issuance;

AS 16.12.020 Provides for a hearing and public notification and input process prior to issuance of a permit;

AS 16.12.030 Describes terms and conditions for permit holders to conduct their work, including cost recovery fisheries, harvest, sale, and release of enhancement project produced shellfish, and selection of brood stock sources;

AS 16.12.040 Describes the revocation process should a permit holder fail to comply with the terms and conditions of the permit;

AS 16.12.050 Specifies that shellfish produced under an approved enhancement project are a common property resource, with provision for special harvest areas by permit holders. This section also specifies the Board of Fisheries to establish regulations relating to this chapter;

AS 16.12.060 Directs the department to advise and assist permit holders in their planning, operations, and construction of facilities to a reasonable and appropriate extent;

AS 16.12.070 provides department authority to approve source and number of shellfish taken for use as broodstock;

AS 16.12.080 places restrictions on how monies received from sale of shellfish may be used only for operating costs associated with their facilities;

AS 16.12.090 Relates to Cost Recovery Fisheries, and provides a means by which a shellfish hatchery may



contract to either harvest and sell shellfish, or to implement a self-assessment from amongst its membership, for purposes of recovering operational costs associated with the hatchery.

AS 16.12.100 Gives the department authority to inspect facilities at any time while the facility is in operation;

AS 16.12.110 Requires a permit holder to submit an annual report to the department;

AS 16.12.199 provides definitions for "enhancement project," "facility," "genetically modified shellfish," "hatchery," and "shellfish."

4:11:55 PM

Section 5

Provides the Commercial Fisheries Entry Commission :  
AS 16.43.400(a) Provides the Commercial Fisheries Entry Commission authority to issue special harvest area entry permits to holders of private nonprofit shellfish rehabilitation, or enhancement project permits.

Section 6

AS 16.43.430 Defines legal fishing gear for special harvest area entry permit holders.

Section 7

AS 16.51.090 adds marketing and promotion of aquatic farm products to the powers and duties of the Alaska Seafood Marketing Institute (ASMI).

Section 8

AS 16.51.110 conforming amendment, prohibiting ASMI from promoting aquatic farm products not from Alaska, a specific region of Alaska, or by a specific brand name.

Section 9

AS 16.51.180(7) conforming amendment regarding the definition of "seafood."

Section 10

AS 16.51.180 (8) is a new referential subsection pointing to the existing definition of "aquatic farm

product" as described in AS 16.40.199, which states "an aquatic plant or shellfish,.. that is propagated, farmed, or cultivated in an aquatic farm and sold or offered for sale."

#### Section 11

AS 17.20.049(b) Exempts shellfish raised in a private nonprofit shellfish project from the definition of "farmed fish."

#### Section 12

AS 37.05.146(c) Makes application fee revenues received by the Dept. of Fish and Game from the salmon hatchery and shellfish hatchery programs be accounted for separately. Appropriations from those program receipts are not made from the unrestricted general revenue fund.

#### Section 13

AS 43.20.012(a) Exempts a nonprofit corporation holding a shellfish fishery enhancement permit from state corporate income tax when making shellfish sales and engaging in shellfish cost recovery activity

#### Section 14

AS 43.20.012(a) Is a technical conforming amendment required by prior session law and has no impact on the policies being set in this bill.

#### Section 15

AS 43.76.390 Exempts shellfish harvested under a special harvest area entry permit from seafood development taxes.

#### Section 16

Establishes an effective date for the salmon hatchery permit application fee change, as described in Section 2 above.

#### Section 17

Authorizes the Department of Fish and Game to adopt implementing regulations.

#### Section 18

Establishes an immediate effective date for Section 17 pursuant to AS 01.10.070(c).

Section 19

Is a technical, conforming effective date for Section 14 concomitant with 2 CH 55, SLA 2013 and has no effect on the policy set forth in this bill.

4:14:41 PM

CHAIR REVAK announced the committee will hear invited testimony on SB 64.

4:15:04 PM

DR. GINNY ECKERT, Professor, University of Alaska; Director, Alaska Sea Grant, Fairbanks, Alaska, testified in support of SB 64. She noted her expertise is in shellfish—having worked in shellfish in Alaska since 2000—and has worked in king crab rehabilitation since 2007 as well as served as the science director and co-chair of the Alaska King Crab Research, Rehabilitation and Biology (AKCRRAB) Program. She thanked Senator Stevens and the legislature for their work on SB 64, noting she testified in support of the previous version of the legislation in 2016.

She stated she will speak to the need for rehabilitation for shellfish, a fishery resource that includes crabs, clams, and abalone—many of these stocks are in decline. She noted she has done some recent work on abalone, a species with potential as well.

DR. ECKERT said she is going to talk more about king crab, an iconic species native to Alaska. Many of the state's king crab stocks have crashed. In the Gulf of Alaska, king crab stocks crashed in the early 1980s and have not recovered since, even with fisheries closure. Over fishing is very likely the cause of the decline due to very high fishing rates, and the state did not have much knowledge about fishery science then. There is great concern about bycatch, including at that time an allowance for foreign fleets until the early 1970s.

She noted the king crab stocks—in the absence of fishing—have not recovered in almost 40 years. There are current stocks today—the Bristol Bay red king crab fishery—in decline that warrants concern for possible closure in the upcoming years.

DR. ECKERT said AKCRRAB has done quite a bit of research on the feasibility of rehabilitation through culturing king crab in a hatchery and out-planting them. AKCRRAB has learned a lot about king crabs and is learning more about the bottlenecks and potential for recovery. AKCRRAB has very good evidence these

stocks are recruitment-limited, and enhancement could help. AKCRRAB has out-planted animals on a small scale and is able to find these animals when they grow larger several years later. However, moving forward, doing experiments at a larger scale, and to potentially rehabilitate stocks through stock enhancement requires SB 64.

DR. ECKERT said she understands there could be concerns about genetics; however, the noted shellfish are very different from salmon. Hatcheries collect adult salmon and decide who is mating with each other. Through shellfish stock enhancement, the animals are reproducing in the wild, they are mating in the wild, and AKCRRAB brings them into the lab with the offspring somewhat intact. The females sort of carry the embryos, so AKCRRAB can just hatch them out to give them an advantage in the early stages and then put them out into the wild so that they can be more successful.

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SENATOR KIEHL noted that terminal harvest areas are associated with salmon hatcheries, which is relatively easy because the salmon comeback to their release location. He asked if crab show the same affinity towards a place and whether that is an option the department will have in managing those cost recovery fisheries.

CHAIR REVAK asked how crab migrate.

DR. ECKERT replied crabs are very different from salmon, they are not going to migrate back to the place where they were born. She conceded AKCRRAB has a lot to learn about where these crabs go.

She said AKCRRAB has done work in recent years that suggest the young crabs inhabit shallower waters and migrate into deeper waters. Crab fisherfolk will note crabs go deeper in the summer and shallower in the winter. Colleagues at the National Marine Fisheries Service in Kodiak have out-planted very small juveniles and they have been able to find them a couple of years later.

DR. ECKERT summarized that AKCRRAB has opportunities to do more work, but the program believes these animals are probably staying relatively in a small area; ADF&G could talk about how to manage this in the future.

SENATOR KIEHL noted the bill has a prohibition on genetically modified shellfish and it includes a definition. He pointed out freshwater fish hatcheries will modify their fish so they cannot reproduce. However, the sponsor spoke about the intension to enhance recovery and get reproducing stock numbers up.

He asked if there is the possibility in the future, especially if shellfish stick to a particular area, to do the same sort of thing or if the definition of genetic modification rules out the possibility of enhancing a localized area with nonreproducing shellfish.

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DR. ECKERT replied she does not know the answer. She explained AKCRRAB does not understand the biology that much but there are fascinating things that are happening with technology now. The way AKCRRAB currently grows crab in the hatchery is to allow female crabs to hatch-out their embryos without genetic manipulation. AKCRRAB wants to focus carefully to not overwhelm any of the natural genetic diversity.

She noted there is potential for future modification. Norway is working on lobster; they are a leader in many of the aquaculture efforts. However, she does not know if Norway has done anything like [genetic modification], but if that were to happen, they would be first.

SENATOR KIEHL conceded that concern is 15-20 years out at the closest and is not an issue.

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HEATHER MCCARTY, Co-Chair, Alaska King Crab Research, Rehabilitation and Biology (AKCRRAB) Program, Juneau, Alaska, testified in support of SB 64. She noted she is also the Chair of the Alaska Governor's Mariculture Task Force (AMTF).

She said her main interest in crab came from her employer, Central Bering Sea Fishermen's Association (CBSFA), one of Western Alaska's six [Community Development Quota] (CDQ) Program groups for St. Paul Island in the Pribilof Islands. Blue king crab used to surround St. Paul Island, it was a viable and lucrative fishery both for the local people and for the State of Alaska for many years. However, like several other crab stocks, the blue king crab had precipitously declined in the early 1980s and fisherfolk have not fished the area since then, but the stocks continue to decline. A group started the AKCRRAB Program

in 2006 to try and bring the stock back as well as the red king crab in the Kodiak area.

MS. MCCARTY noted she has been part of AMTF since the beginning in 2016. AMTF consists of scientists, industry people, community representatives, and agency representatives for the State of Alaska. AMTF is dedicated to developing mariculture in Alaska for the benefit of the state and its people. AMTF supports the passage of SB 64—noting previous support for the legislation's various iterations for the last two legislative sessions.

She said AMTF believes that the mariculture of shellfish and seaweed has great potential in Alaska to benefit the economies—particularly of coastal communities—to provide ocean-related jobs in those communities in entry-level ways for residents to make use of their experience on the water and their existing equipment such as boats and so on—not to mention the existing processing opportunities in those coastal communities. SB 64 is a big piece of that development.

MS. MCCARTY explained the bill is one of AMTF's priorities because advancing the culture of shellfish—as Dr. Eckert described—requires the legislation for advancement. AMTF spent the last decade and a half developing methods of crab in captivity, release monitoring, and understanding habitat needs. AMTF cannot go the extra step into larger scale production without the benefit of SB 64 to implement regulations and help the program go one step further into making shellfish a viable industry.

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SAM RABUNG, Director, Commercial Fisheries Division, Alaska Department of Fish and Game, Juneau, Alaska, testified in support of SB 64. He explained Alaska currently limits mariculture to aquatic farming, sometimes called "wet farming," which entails growing privately-owned organisms under positive control and not releasing them—it is private property for private business for profit. In contrast, the fisheries in Alaska are common property and owned by all the people of Alaska. Mariculture could restore extirpated stocks, rehabilitate weak stocks, and enhance fisheries to support harvest levels above natural production; however, currently that is not legal and that is the reason for SB 64.

MR. RABUNG said in response to Senator Kiehl's earlier question about special harvest areas for crab, there is a provision in SB 64 that allows for a fishery assessment as a cost recovery tool,

so the common property could harvest the organisms in a release area and they pay an assessment to fund the cost of the project, it is just one of the many available tools if SB 64 were to pass.

He noted to answer the previous question by Senator Kiehl regarding releasing non-reproducing organisms, the problem with that is that would preclude being able to restore or rehabilitate stocks because they would not be able to reproduce. Brood stock collection would occur in an area near the release location area and brought into a hatchery for spawning inducement and progeny protection until their sizes allow for out-planting survival until maturity for harvest.

MR. RABUNG said SB 64 would require that the entities performing the hatchery work be nonprofits. Mechanisms to support the hatchery work would entail either a fisheries assessment tax, stakeholder self-assessment, or a direct cost recovery from fishing. The program would require self-support.

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SENATOR KIEHL referenced cost recovery to a fishery. He asked him if the department is concerned with the comingling of a common property stock—natural versus enhanced—or does he see the fishery as comparable to the incidental catch of some wild stock when a hatchery cost recovery is fishing salmon.

MR. RABUNG replied yes, the department will start off at low levels with monitoring with the intention to augment the harvest. The harvest will have wild stock with it, but the intent for a direct cost recovery harvest is to focus on hatchery or project-produced organisms.

He conceded [crabs] are not as clean a fit as the salmon because the salmon returns to their release location at maturity; however, this is a species-by-species approach. For example, crabs are mobile and can move around, but clams are beach planted, so each species is unique. He noted the Eastside Cook Inlet razor clams are in decline—no personal-use permits openings for 5-7 years—and they are a candidate for a rehabilitation project for those beaches via hatchery out-planting.

MR. RABUNG said dive fisheries for [sea cucumbers] and geoducks in Southeast Alaska is another enhancement-type project example. Rotating harvests for common-property dive fisheries occur approximately every three years—for natural stock recovery. Out-

planting hatchery juveniles from the area after the fishery occurs could speed up the rotation.

MR. RABUNG said he feels that most of these projects are probably not going to be directed-cost recovery because it is not as easy to sort them out and keep them segregated from their naturally produced cohorts. The other tools in the bill—fishery assessment tax or stakeholders taxing themselves—would probably be more likely used.

4:35:23 PM

JEREMY WOODROW, Executive Director, Alaska Seafoods Marketing Institute, Juneau, Alaska, testified in support of SB 64. He said he will speak to the parts of the bill that pertain to the Alaska Seafoods Marketing Institute (ASMI). The Alaska Mariculture Task Force (AMTF) and the Alaska Shellfish Growers Association support the statutory change.

He said as a public-private partnership between the State of Alaska and the Alaska seafood industry, ASMI has established a fostered economic development of Alaska's renewable natural seafood resources. ASMI plays a key role in the repositioning of Alaska's seafood industry as a competitive, market driven, food production industry.

MR. WOODROW detailed ASMI accomplished its work to boost the value of Alaska's seafood through partnerships with retail grocers, foodservice distributors and operators, restaurant chains, universities, culinary schools, and the media. ASMI conducts consumer campaigns, public relations, advertising activities, and aligns with industry efforts to maximize effectiveness. ASMI also functions as a brand manager for the Alaska seafood family of brands.

He said the economic opportunity for mariculture in Alaska is expanding quickly. With the support and efforts of AMTF, the industry is seeing growth from small family businesses selling boutique products to fisherfolk looking to utilize their vessels and skills in shoulder-seasons, to significant investment in production by Alaska's major seafood companies, recognizing the opportunity to diversify their existing Alaska product portfolios.

MR. WOODROW detailed AMTF has identified the goal to build Alaska's mariculture production into a \$100 million per year industry; this is no small feat and will require quite literally all-hands-on-deck to meet this objective. Providing the same



opportunity for Alaska mariculture products that have benefited Alaska's fisheries for 40 years will undoubtedly help meet this goal by utilizing ASMI's expertise to include mariculture products and consumer retail foodservice and food aid outreach, and domestic and both in targeted markets.

MR. WOODROW said the ASMI board would like to thank Chairman Revak and the members of the Senate Resources Committee for recognizing the value of Alaska's maritime economy and for the committee's consideration of meaningful legislation to aid economic development across Alaska's coastal communities.

4:38:21 PM

JEFF HETRICK, Mariculture Director, Alutiiq Pride Marine Institute (APMI), Seward, Alaska, testified in support of SB 64. He detailed the Alutiiq Pride Marine Institute (APMI) houses its shellfish hatchery in Seward. APMI has been developing the hatchery technology for many of the important Alaska shellfish species such as littleneck clams, butter clams, razor clams, softshell clams, cockles, purple-hinged rock scallops, as well as red and blue king crab, Bosworth abalone, sea cucumbers, and most recently kelp; APMI is the first entity to successfully raise many of these species.

He said in response to the questions concerning genetic manipulation, it is a common practice to create triploid or infertile mollusk shellfish. However, technology for crustaceans is not quite as understood—as Dr. Eckert said—but triploidy is a valuable tool for addressing concerns with genetic impacts from shellfish hatcheries.

MR. HETRICK noted, although APMI produces geoducks and oysters for the commercial operations, a major focus has been invested beyond the aquatic farm industry to conduct trial shellfish enhancement projects and APMI does that through planting and monitoring local beaches with clams and other species in an effort to have some tools to perhaps bring back some of these declining populations; all this work to date has been conducted under research permits through the Alaska Department of Fish and Game (ADF&G)—they have been wonderful partners—as APMI develops this technology.

MR. HETRICK explained due to lack of legislation, APMI has not been able to conduct programs that might be large enough to provide more scientific data and harvest opportunities. APMI has worked in some areas—Port Graham, Seldovia, Lower Cook Inlet—where locals are actually harvesting some of APMI's enhanced

populations, but those were planted under research permits and minimal.

MR. HETRICK noted with king crabs, APMI has assembled a large team of experts in crab biology and management. APMI just finished its third year of an out-stocking program in Kodiak that has given APMI great expectations for success if APMI continues along the crab enhancement path.

He said he cannot understate the significance of having SB 64 in play. Alaska's native coastal communities that have financially supported APMI's work for almost 20 years are anxiously awaiting some projects to bring back some of those resources. AMPI is certainly prepared to move beyond the experimental to the implementation phase of AMPI's work.

4:41:52 PM

JULIE DECKER, Executive Director, Alaska Fisheries Development Foundation, Wrangell, Alaska, testified in support of SB 64. She said the bill creates a framework to develop the shellfish fishery enhancement and allows for ASMI to market aquatic products which will further the development of the new mariculture industry.

She stated SB 64 accomplishes two-priority recommendations of the AMTF—which she also serves on—as a part of a larger plan to fully develop the mariculture industry in Alaska with a goal to grow a \$100-million-per-year industry in 20 years.

MS. DECKER detailed Alaska Fisheries Development Foundation (AFDF) membership is comprised of seafood harvesters, seafood processors, and support businesses. AFDF—founded in 1978—has a mission to identify opportunities common to the Alaska seafood industry; and develop efficient, sustainable outcomes that benefit the economy, environment, and coastal communities.

She noted one of foundation's recent areas of work is the development of mariculture. As a direct result of this work with others, AMTF—established in 2016—completed a statewide comprehensive plan in 2018 with the goal of growing a \$100-million industry.

MS. DECKER explained as the facilitator for the certification of the Alaska salmon fishery as sustainable, AFDF has a unique viewpoint on some of the concerns of others for the potential of negative impacts from SB 64. AFDF is the client for both the Alaska Responsible Fisheries Management (RFM) and the Marine

Stewardship Council (MSC) certifications of Alaska salmon. As a part of these certifications, ADF&G management of the salmon fishery, including salmon enhancement program, receives review every year by independent third-party experts to determine whether it meets internationally accepted standards for sustainably managed fisheries. Alaska salmon is currently certified as sustainable under both the RFM and MSC programs because ADF&G's management incorporates a cautionary approach that prioritizes wild fish and minimizes adverse impacts to wild stocks.

MS. DECKER pointed out ADF&G has extensive enhancement policies which protect wild stocks, including genetics policies, release sites, marking, and disease policies; given these policies, ADF&G's is fulfilling its constitutional mandate to manage the state's fishery resources for sustainability. ADF&G will similarly manage shellfish enhancement with the same constitutional mandate to protect wild stocks.

She said another benefit of developing shellfish fishery enhancement is the important role that shellfish hatcheries may play in helping the state adapt to ocean changes and acidification. During additional shellfish hatchery technique development, the state will learn more about its abilities to mitigate the effects of ocean acidification in a hatchery setting. For example, adjusting pH levels at critical juvenile stages in hatchery can improve survival after crab release into the wild. Therefore, shellfish hatcheries may play a critical role in the future by helping to protect wild stocks from negative impacts of ocean acidification.

MS. DECKER stated shellfish enhancement can diversify and expand economic opportunities by increasing harvest for sports, subsistence, and commercial use—like Alaska's salmon enhancement program. For example, salmon enhancement, from 2012-2017, contributed approximately \$720 million in ex-vessel value and \$2.1 billion in first wholesale value to the state's economy. Similarly, shellfish enhancement can infuse the economies of Alaska's communities.

She said AFDF believes that growth of the mariculture industry can play an important role in Alaska's economic recovery from the COVID-19 disaster, and passage of SB 64 is central to fully enabling that recovery and potential.

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CHAIR REVAK announced the committee will hear public testimony on SB 33 and SB 64 during an upcoming meeting.

[4:47:18 PM](#)

CHAIR REVAK held SB 64 in committee.

[4:47:40 PM](#)

There being no further business to come before the committee, Chair Revak adjourned the Senate Resources Standing Committee meeting at 4:47 p.m.